

OGC 70.1247

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22 JUL 1970

MEMORANDUM FOR: Executive Director-Comptroller

SUBJECT : Report on Investigation of Purchase of Stock In  
[redacted] Inc., by Agency Employees

1. This memorandum contains no recommendations for your approval. It is for your information only.

2. In consultation with the Office of the General Counsel we have concluded the investigation of the purchases of stock by

[redacted] Inc. Neither man had been in a position of direct responsibility for work with [redacted] [redacted] for a year and a half prior to the time that they acquired the stock in December 1967, and neither has had any substantive responsibilities for work with that company since then. In [redacted] case, there were long-standing close personal relationships with the president of the company, a factor that the Executive Order on the subject of conflict of interest provides should receive due consideration.

[redacted] did not acquire the stock for sudden profit; he still retains it, with a present value below the price he paid for it. In [redacted] case he reported the purchase of the stock on his Statement of Financial Interests, which was approved by the director of his office (ORD) because he had no responsibility for any work with the company.

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3. It was concluded that neither man was involved in a real conflict of interest, and that the issue was at most one of a borderline "apparent conflict" under the provisions of Executive Order 11222. Pursuant to the decisions at your meeting on 23 June with the General Counsel and Inspector General, the case was concluded on this basis. Both men have been informed in person and in writing of the results of the inquiry, with a statement that despite the results there was a question about their judgment in making their purchases. No record of this incident is being made in their personnel files, but will be retained in the records of this office.

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[redacted]

Acting Inspector General

cc: ✓ OGC

OGC Has Reviewed

GROUP 1  
Excluded from automatic  
downgrading and  
declassification

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MEMORANDUM FOR: [REDACTED]

SUBJECT : Purchase of Stock In [REDACTED] Inc.

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1. As you know, the purchase of stock by you in [REDACTED] Inc., was discovered in a general inquiry being made by this office into a reported conflict of interest involving stock offers by that company to other Agency employees. The stock was made available on a preferential basis not available to the general public.

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2. My staff, in consultation with the Office of General Counsel, has investigated the circumstances of the purchase. Full consideration has been given the long period between your last direct responsibility for work with [REDACTED] Inc., your report of the stock holdings, and the approval of the purchase by the director of your office on the basis of your known responsibilities. Our investigation has concluded that there was no real conflict of interest in your case, and the stock purchase should be considered a borderline apparent conflict, within the language of Executive Order 11222, particularly Section 201, a copy of which is enclosed. The prohibitions set forth therein are tempered to some extent in your case by the circumstances set forth above, but a question as to your judgment in this still exists.

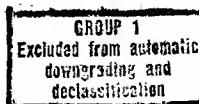
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3. You have advised us that you disposed of your stock several months ago. However, should you be assigned in the future to a direct responsibility with [REDACTED] Inc., it is suggested that you review the question with the Office of General Counsel at that time.

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Attachment  
(Executive Order 11222)

[REDACTED]  
Acting Inspector General



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UNCLASSIFIED INTERNAL CONFIDENTIAL SECRET

OGC 70-1133

Approved For Release 2002/11/21 : CIA-RDP72-00310R000100280005-2

## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

OGC Subject: ~~XXXXXX~~ CONFLICT OF INTEREST

FROM: Inspector General Room 2E-24 Headquarters		EXTENSION	NO.
			DATE 7 JUL 1970
TO: (Officer designation, room number, and building) <i>SECRET</i> <input type="text"/>		DATE RECEIVED <i>7/7/70</i> FORWARDER	OFFICER'S INITIALS
COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)			
1. General Counsel Room 7D-01, Headquarters			<i>Handed the original of this memo on this date. He acknowledged it in writing on the face of the memo. Not having a place to score it, he left it with us for our case file.</i>
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S E C R E T

7 JUL 1970

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MEMORANDUM FOR: [REDACTED]

SUBJECT : Purchase of Stock in [REDACTED] Inc.

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1. As you know the purchase of stock by you from [REDACTED] Inc. was reported to me for investigation as constituting a possible conflict of interest. The stock was made available to you on a preferential basis not available to the general public, giving rise to the question.

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2. My staff, in consultation with the Office of General Counsel, has investigated the circumstances of the purchase. Full consideration has been given the long, personal relationship between you and officers of [REDACTED] Inc., the time that had elapsed between your last official responsibility for Agency transactions with the company and the purchase, and the fact that you were at a remote location overseas and unable to ascertain all the circumstances affecting the stock offer to you. Our investigation has concluded that there is no real conflict of interest in your case, and that the stock purchase by you should be considered a borderline apparent conflict within the language of Executive Order 11222, particularly Section 201. The prohibitions set forth therein are tempered to some extent in your case by the circumstances set forth above, but a question as to your judgment in this still exists.

3. While we expect no further action in this matter, so long as you own [REDACTED] stock, it would seem inappropriate for the Agency to place you in any assignment where you would be in a position of responsibility involving [REDACTED] Inc.

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/s/ Gordon M. Stewart

Gordon M. Stewart  
Inspector General

cc: ✓ Office of General Counsel

GROUP 1  
Excluded from automatic  
downgrading and  
declassification

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S E C R E T

6 July 1970

MEMORANDUM FOR THE RECORD

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SUBJECT: [REDACTED] Inc. - Case No. 15/69

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1. [REDACTED] and I met with [REDACTED] at 0815 this morning for a little over an hour. We started by reviewing the development of our inquiry and the question that had existed as to whether or not there had been a violation of the Criminal Statute. This question had been resolved by a determination that this is not a criminal matter, to be resolved instead under the provisions of the Executive Order 11222 and the Attorney General's Memorandum. We explained the provisions in the Executive Order that a government employee shall receive no gift, and that made an appearance of conflict of interest as strongly prohibiting as a real conflict. We told him that the question was whether or not there should be a written reprimand.

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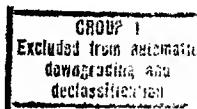
2. [REDACTED] stated that he was astounded by the gravity of the matter. He had not realized until our meeting last week, although he had had occasion to reflect on it from time to time. He said that he pointedly had never purchased stock in companies that he knew were doing business with the Agency. He simply did not consider [REDACTED] in the same category. The Statutes and Executive Order would apply to someone who does something wrong, which he believes he has not. He said that he was overseas 10,000 miles away, and had an offer to buy stock when [REDACTED] went public. He knew the people involved, their skills and their drive, and when they floated a stock issue to get capital he invested. As far as he is concerned it was a straight, legitimate investment. He still owns the stock, which is now priced at below the purchase price.

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3. We talked about the timing of the purchase in relation to his responsibilities. His personal file shows that he had been out of the line of command in OSA from July 1966 until the purchase of the stock in December 1967. He said that beyond this he felt that he had never had anything to do with [REDACTED], even before change of his responsibilities in July 1966. He went on to say if he had intended to make a killing, as the Air Force officers did, he would

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have sold the stock; instead he kept it. So far as he is concerned it was not a gift, but an investment; he had no idea that he did not get the regular offering price.

4. [redacted] noted that prior to leaving the Agency in 1960, [redacted] had come to OGC for advice on conflict of interest. OGC had written him a letter on 11 July 1960 on this subject. In June 1963, when [redacted] returned to the Agency from [redacted] the Deputy Director of OSA wrote a letter saying that [redacted] had kept his clearances and had continued to work for OSA on some matters. [redacted] said that some time had passed since then but as he recalls it the OGC advice had been he could not tell his commercial employer what he knew about Agency requirements, and that he could not represent the company in sales or negotiations for a certain interval of time. He did keep his clearances, as [redacted] was involved in the satellite business and was providing people for the project. His work had to do with purchasing, contract administration, support, materiel, all those things very much like a regular Log job in the Agency. He did not use his knowledge and did not participate in negotiations and sales. CIA had its own contract officer and engineers that could inspect, and the auditors also reviewed the records.

5. At the time of the formation of [redacted] he was working for [redacted] [redacted] knew where to go for business and [redacted] had no contribution to make in that respect. He advised on how many people they should carry on their administrative rolls, the balance of qualifications in those people, the kinds of records they should keep; and questions of security clearances for the Department of Defense. At that time, [redacted] was thinking about business with Wright Patterson, Eastman Kodak, Baird Atomic, and Lockheed. He got no compensation or fees, and none were mentioned. [redacted] asked if he felt there was any conflict between his role as an [redacted] employee and his advice in formation of a new competitor. He did not reply directly, saying it was personal, over drinks, etc.

6. [redacted] asked about [redacted] whose name had come up from time to time during our inquiry. [redacted] said he first met [redacted] in 1955 or 1956. [redacted] was in the Navy at the time, assigned to liaison with the U-2 Project. There was an arrangement for the technical exchange of developments in the U-2 Program so that other DoD work would not duplicate that already done. [redacted] retired from the Navy, probably in the fall of 1963. He wanted to do consultant work and [redacted] introduced him to the law firm with which he was associated and they set him up in business and gave him advice. [redacted] has offices in Virginia to this date. When [redacted] approached [redacted] asking that he represent [redacted]

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[redacted] in the Washington area, [redacted] referred him to [redacted] since he [redacted] 25X1A  
[redacted] could not do this work. [redacted] is not too sure what [redacted] does, 25X1A  
feeling that he has consulted on management as well as sales. He said  
that it is no accident that he is in the Agency; he had been doing well  
at a responsible job in private business and returned because he liked  
the Agency. A mere \$1600 investment would not cause him to change his  
judgment in any matters that would come before him. As it is, he made  
an investment that he hoped would have better results than it has.

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8. [redacted] said that if this was going to end in a reprimand he  
would want to have a bill of particulars and an opportunity to reply.  
We told him that we would report to the Inspector General and the  
General Counsel and get a decision so this question could be handled,  
if necessary, prior to his departure. He now plans to leave on Wednesday.

ORIGINAL SIGNED

[redacted]

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cc: [redacted] OGC

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Approved For Release 2002/11/21 : CIA-RDP72-00310R000100280005-2

## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

OGC Subject: CONFLICT OF INTEREST

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FROM:

EXTENSION

NO.

DATE

2 July 1970

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

RECEIVED

FORWARDED

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1.

[REDACTED]

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Approved For Release 2002/11/21 : CIA-RDP72-00310R000100280005-2

S E C R E T

2 July 1970

MEMORANDUM FOR THE RECORD

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SUBJECT: [REDACTED]

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1. [REDACTED] and I met with [REDACTED] this morning from 0930 to about 100, to discuss his role in the [REDACTED] stock purchase.

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2. We started by showing him a copy of the 17 June 1969 news story about purchase by Air Force evaluators of [REDACTED] stock, and the teletype report by the West Coast security officer naming [REDACTED] as Agency employees to whom an offer was made. We also had copies of the IG letter to [REDACTED] while he was in [REDACTED] (dated 14 July 1969) and his reply (dated 3 October 1969). I reminded him of the terms of his permission to engage in the practice of law (his application in October 1963, after returning to the Agency), and asked about the portion of his letter that I had understood to state that he had not only given help to [REDACTED] in its formative period (when he was employed by [REDACTED], but also after returning to the Agency. He said that the reference to his visit to [REDACTED] at which time he "reviewed [REDACTED] products, activities and proposals" referred to his work as an Agency employee, and not his assistance to [REDACTED]. He said his visits were in connection with OSA work, but that OSA never did have contracts with the company, although ORD did. He never helped Mark Systems after returning to the Agency.

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3. [REDACTED] said that he was in OSA's [REDACTED] [REDACTED] which had to do with budget. He knew [REDACTED] work, and of Air Force work with the company, but technical decisions would not be by him but by the Engineering and Technical Staff of OSA. He said that on his visits a couple of things "maybe made sense," and he would carry the news to the Engineering Staff, and it could inquire and make evaluations, making recommendations.

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4. We touched on the problem of real and apparent conflict of interest, as it affected the present situation. [REDACTED] said that he knew of knowledgeable people in the Agency who had stock with Eastman Kodak. He couldn't see the difference between that sort of thing and his holding with [REDACTED]. [REDACTED] noted the

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Approved For Release 2002/11/21 : CIA-RDP72-00310R000100280005-2



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difference between purchase of stock from a large and established company, and participating in the establishment of a company and taking stock at a special offer later. [redacted] asked about the form of the offer of the stock. [redacted] was at first uncertain of when he received the offer, finally deciding that he received it in a letter from [redacted] addressed to him at [redacted]. He believes that he received the letter the latter part of November; the report of the West Coast security officer shows that the stock was bought by a friend in [redacted] name on the first day the stock was on the market, 7 December. He recalls the letter from [redacted] stating that they were finally going public -- "a limited public offering" -- and saying that he could get some of the stock if he wished. He said he still has the stock; it is now at about 6, while he got it at 8. He has been away and simply has not been in a position to follow it; if it doesn't improve soon he will probably sell it.

5. [redacted] spoke further about OSA's contractual relationships with [redacted]. His recollection is that OSA had no contracts during the period 1963, when he returned to the Agency, and 1967, when he finally was transferred from OSA. [redacted] would have been in charge of this, and to the best of his recollection there may have been only one purchase, one piece of equipment at about [redacted]

6. At one time [redacted] approached [redacted] about representation in Washington. He replied that neither he, nor the law firm with which he had been authorized to associate, could touch it. He put [redacted] in touch with [redacted] but doesn't know whether they hired him or not. [redacted] had been mentioned to us by the DDS&T when we met with him, and [redacted] list of stock purchasers in the Washington area show substantial purchases by a [redacted]

7. Reviewing [redacted] familiarity with the Agency, he said that it dated back to [redacted] when [redacted] was on IDEALIST. He knew [redacted] of course, at [redacted] where they worked on cameras for satellites. When [redacted] went to his new company, [redacted], he knew plenty about Agency projects, people and systems. On occasion he would speak to [redacted] about it. [redacted] says he has no qualms about this relationship. There was no improper relationship; at all times he acted within the limits of his Agency job. If he had been interested in a killing, he would have sold the stock, instead of hanging on to it as it went down.

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8. Expanding on his relationship with [redacted], he said he has known him since 1965, when he [redacted] was with AQUATONE. [redacted] was with [redacted], working on cameras. They had known one another, but first really got to know one another well when [redacted] wanted to take his wife with him on an inspection trip in [redacted]. [redacted] had to deny permission; no dependent could be taken. When [redacted] went to [redacted] in 1960 [redacted] was the head of engineering, and [redacted] was head of administration (which involved finance, purchasing, personnel). They became close friends during that period. When [redacted] left [redacted] in 1962 it fell to [redacted] to hand him his final pay check. And [redacted] helped [redacted] form his new company, [redacted]. [redacted] returned to the Agency in 1963, and during the period 1963-67 (when [redacted] was with OSA) they were still friends. There was a normal working relationship, but they were also close friends. At one point [redacted] provided in his will that [redacted] would be the foster parent of his [redacted] children, if something happened to [redacted] and his wife. They have seen each other only once since 1967, a year ago in May, when [redacted] was in Washington, they had breakfast together. [redacted] also in Washington in August 1968 (about a new building at [redacted]) and they spoke by telephone, but had no personal contact.

9. [redacted] spoke about the July and October correspondence between the Inspector General and him. He said that it was given him to read by the [redacted] but that he didn't take a copy with him. He went back to [redacted] and answered it. He thought it did not reach him right away, but could not account for the lapse of time between July and October.

10. [redacted] spoke about the issues involved. He explained the conflict of interest laws, and pointed how a comparison could be made between the prohibition of a government employee taking a gift, with an offer tied to a favor, and the questions raised by a stock offer, in which the price was not the one available to the general public. He mentioned the considerations of investigation, which would involve the FBI (which was not being done at this point), and the Attorney General's opinion which made an appearance of conflict of interest, a gift, as forbidden as a real conflict of interest, even if no favor is given or asked in return. He noted that Carl Duckett, in describing [redacted] position in OSA, had said that he was involved in policy making and decision making. He then asked if [redacted] recommended [redacted] to OSA people. [redacted] replied in the negative, saying that "that sort of representation was unnecessary. The people in OSA knew as well as I did -- key people, technical people, engineering people, knew them backwards and forwards." [redacted] gave an example of what he would do,

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citing a process involving real time processing in the field. He called it to the attention of [redacted] who would check into it. His feeling was that if something like this came to his attention he would call it to the attention of the technical people; after that they didn't need his help, knowing better than he its value. In this context he mentioned [redacted] as a long-time hand in the field, who knew [redacted] from HYCON days.

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11. [redacted] noted that [redacted] had served as Acting Deputy and Acting Director of OSA on occasion. [redacted] said that this was on current matters only; he had no approval authority. In any event, during that time every contract went to [redacted] for approval.

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12. [redacted] said that he visited [redacted] two to four times a year. He never took a trip to the West Coast for [redacted] alone. If he was on the coast he would drop by for lunch and look at the stuff they had. There were other companies in the area, at the Stanford industrial park, [redacted] and in Los Angeles. There were some 75 companies in all at that time and [redacted] was treated no differently, except they got no contracts (in fact OSA is recorded with contracts, but they seem to be for ORD and the Navy).

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13. [redacted] plans are to leave for a week's leave in Ohio and then a week on the West Coast. He had planned to leave Monday but doesn't seem to be moving quickly enough to make it. He plans to leave the West Coast for his next assignment in [redacted]. We spoke to him about another meeting, and after he left [redacted] and I agreed on an early Monday morning meeting.

[redacted] 25X1A

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cc: [redacted]

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OGC 70-0999

Approved For Release 2002/11/21 : CIA-RDP72-00310R000100280005-2

S E C R E T

16 June 1970

MEMORANDUM FOR: General Counsel

25X1A

Subject : [redacted]

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1. [redacted] has concluded that many questions about this case are unanswered, and that many other questions need to be asked. He has suggested the possibility of ascertaining the action taken by the Air Force towards the officers who took [redacted] stock under the special offer. He also suggests that we raise with the FBI the question of such information as its investigation may have developed.

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2. We have gone about as far as we can within the limitations on our inquiries into such matters as this. Unless we turn to the Air Force and FBI, as suggested by [redacted] we will have to conclude the case on the basis of the information we now have. It is suggested that serious consideration be given [redacted] suggestion on this point.

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[redacted]

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Office of Inspector General

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Approved For Release 2002/11/21 : CIA-RDP72-00310R000100280005-2

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Approved For Release 2002/11/21 : CIA-RDP72-00310R000100280005-2

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## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:	01G 2E-24, Headquarters	EXTENSION	NO.		
			RECEIVED	FORWARDED	DATE
TO: (Officer designation, room number, and building)		DATE		COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)	
1.	OGC Attention: <span style="border: 1px solid black; display: inline-block; width: 150px; height: 1.2em; vertical-align: middle;"></span>	7/22/70		OGC Subject: CONFLICT OF Gary, INTEREST	
2.	7D-01, Headquarters			I realize <span style="border: 1px solid black; display: inline-block; width: 150px; height: 1.2em; vertical-align: middle;"></span> bought 25X1A January 1968, but felt this summary adequate for the purposes.	
3.				<i>Fill w/ rest of materials</i>	
4.				<i>his subject. Case</i>	
5.				<i>is thus concluded unless</i>	
6.				<i>I find time to write</i>	
7.				<i>memo for record expressing</i>	
8.				<i>my thoughts which are</i>	
9.				<i>not altogether in</i>	
10.				<i>accord w/ those</i>	
11.				<i>expressed herein as</i>	
12.				<i>the way case was</i>	
13.				<i>handled.</i>	
14.				<span style="border: 1px solid black; display: inline-block; width: 150px; height: 1.2em; vertical-align: middle;"></span>	
15.				<i>23 July 70</i>	